

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6950

BILL NUMBER: SB 164

NOTE PREPARED: Dec 20, 2002

BILL AMENDED:

SUBJECT: Personal Property Tax Undervaluation Penalty.

FIRST AUTHOR: Sen. Kenley

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill increases from 5% to 10% the threshold for application of the penalty for undervaluation of property on a personal property tax return, and decreases the penalty from 20% to 10% of the taxes due on the undervaluation.

Effective Date: July 1, 2003.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law there are three different penalties associated with filing a late or undervalued personal property tax return. They are:

- A) A \$25 penalty for filing a return after the due date or extended due date, or for not filing one at all.
- B) An additional 20% (of tax due) penalty if the return is not filed within 30 days of the due date or extended due date.
- C) A 20% (of tax due) penalty if a return is undervalued by 5% or more. This penalty applies whether the return is timely filed or late.

This bill would make two changes to the penalty for undervalued returns. The penalty amount would be reduced from 20% of the taxes due to 10%, and the penalty would be triggered only if the return is undervalued by more than 10%, instead of the current 5% threshold.

The reduction of the penalty amount, coupled with the higher qualifying threshold would reduce the amount that is collected from penalties. Penalties are distributed to local taxing units along with other property tax revenue. Statewide revenue from all three penalties above has totaled about \$4 M per year during each of the last five years, except in CY 2002 when the total was \$5.7 M. This amount would be reduced beginning in CY 2004 under this proposal. The amount of the reduction is not known, but would most likely be a significant portion of the current total.

State Agencies Affected:

Local Agencies Affected: County auditors; Local assessors; Local civil taxing units and school corporations.

Information Sources: Local Government Database.

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